

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF RHODE ISLAND

IN RE: ALLIANCE SECURITY, INC.

Chapter 7

BK No. 17-11190

Debtor

TRUSTEE'S STATUS REPORT APRIL 2023

Charles A. Pisaturo, Jr., the chapter 7 trustee in the above captioned case ("Trustee"), hereby reports on the status of this case as follows (**Updated statements since March 2023 Status Report are highlighted in bold below**):

Background

1. On July 14, 2017, the debtor filed a voluntary petition under Chapter 11.
2. On January 30, 2020, this Court entered an order converting this case to a chapter 7 bankruptcy case. Charles A. Pisaturo, Jr., is the duly-appointed chapter 7 Trustee.
3. On July 12, 2019, the Official Committee of Unsecured Creditors ("Creditors' Committee") filed a complaint against three of the Debtor's principal officers, the mother of one of the principal officers and two related entities (See, A.P. 19-1021, hereinafter referred to as the "Adversary Proceeding"). The Adversary Proceeding sought damages against the defendants under theories alleging, among other things, fraudulent transfers, improper distributions, and breaches of fiduciary duties.
4. On June 13, 2022, this Court entered a consent order approving the Trustee's settlement of the Adversary Proceeding (See Doc 1060).
5. In accordance with the Adversary Proceeding settlement terms, the bankruptcy estate has been paid \$250,000.00 and has received a judgment against one of the defendants, Power Home Technologies in the amount of \$5,584,233.

Bankruptcy Estate Assets On Hand

6. The Trustee now has on hand in his estate account the sum of **\$762,809.58**. This sum represents:

(i) the sale proceeds (approximately \$500,000) from the Debtor's sale of substantially all of its assets (See, Doc 853 order authorizing and approving debtor's sale of assets and assumption of certain contracts and leases and Doc 860 Debtor's Report of Sale); (ii) Miscellaneous refunds and/or de minimis amounts of accounts receivable (approximately \$14,000 in the aggregate); and (iii) the settlement proceeds from the settlement of an adversary proceeding (\$250,000).

The Claims Bar Dates

7. On October 2, 2019, the Court entered its "Court's Revised Order on Debtor's Motion to Set an Administrative Claim Bar Date; (II) Approve Procedures for Filing Proofs of Claim; And (III) Approving the Form and Manner of Notice Thereof (Doc 901) (the "October 2019 Order"). The October 2019 Order generally established the process for administrative claim creditors to file their claims under 11 U.S.C. §§503(b) and 507(a)(2) by December 13, 2019, with the exception of (a) the U.S. Trustee; (b) professionals retained by the Debtor or the Creditors' Committee asserting claims under 11 U.S.C. §§330, 331 and 503(b); (c) any creditor whose administrative claim has been allowed or paid; and (d) any administrative claim that was already filed.

8. Paragraphs 9 and 10 of the October 2019 Order provided as follows

"9. Within seven (7) days of the entry of this Order, Debtor shall mail notice of the Administrative Claim Bar Date to the following parties in substantially the form attached hereto as Exhibit A (the "Mail Notice"):

- A. the Office of the United States Trustee;*
- B. counsel to the Committee;*
- C. all parties that have requested notice in this chapter 11 case;*

- D. *all persons or entities that have previously filed Proofs of Claims;*
- E. *any individual or entity with whom Debtor purchased goods or services after the Petition Date, or entered into an agreement for goods or services or a lease with the Debtor prior to or after the Petition Date;*
- F. *all employees of the Debtor as of the Petition Date, and all creditors and other known holders of claims as of, or after, the Petition Date, including all persons or entities listed on the Debtor's bankruptcy schedules, list of administrative claims or list of post-petition accounts payable.*

10. *Debtor shall also, as soon as possible, publish a copy of the Mail Notice's material terms in an alarm industry trade journal, which notice shall include the Administrative Claim Bar Date, the Court's address to mail administrative claims, and contact information for Debtor's counsel in order to obtain additional information."*

9. The Bankruptcy Court Docket contains a "BNC" (Bankruptcy Noticing Center) Certificate of Service concerning the October 2019 Order.

Counsel to the then debtor in possession has indicated to the Trustee seeks that the Debtor complied with the noticing requirements in the October 2019 Order. Debtor's counsel will provide the Trustee with evidence of compliance.

10. On July 1, 2022 this Court entered an order (Doc 1066) granting the Trustee's Motion For Court To Establish Bar Date (Doc 1059). The July 1, 2022 order established a bar date of October 31, 2022 for any and all parties who were originally excepted from the Court's October 2019 Order. The Trustee notified the affected parties and filed a certificate of service in compliance with the requirements in paragraphs 5 and 6 of the July 1, 2022 Order.

The Current Claims

11. Claims Filed as "Secured". The Trustee is reviewing and analyzing claims, including the following filed "secured" claims:

Creditor	Amount Claimed
Claim 15 TD Auto Finance	\$34,819.37
This claim has been disallowed as a secured claim (See Docs 1073 and 1078)	
Claim 29 Royal Bank America Leasing	\$155,805.78

Claim 29 has been reduced by agreement to a general unsecured claim in the same amount (See Docs 1080 and 1088)

~~Claim 51 Western Equipment Finance, Inc. \$138,120.04 This claim was disallowed (See Docs 1084 and 1112)~~

Claim 53 Monitronics \$1,560,000.00.

The Trustee has prepared an objection to this claim (Claim 53) and has a telephone conference scheduled for January 18, 2023 at 2PM with Counsel for the successor in interest to Monitronics, Brinks Home Security, Christopher Moser. The Trustee will either resolve this by stipulation subject to Court approval or otherwise will file his objection within 30 days.

Claim 61 Richardson TX School District \$206.49 The Trustee filed an objection to claim 61 on January 14, 2023 and awaits a response or Court action on the objection.

~~Claim 62 New Jersey Division of Taxation \$3,300 This claim was disallowed (See Docs 1092 and 1114)~~

~~Claim 64 PNC Equipment Finance \$92,043.79~~
This claim, claim 64 was disallowed (See Docs 1085 and 1120)

Total Filed Secured Claims \$1,984,295.20

Reduced / pending objections and/or stipulation. \$1,560,206.40

12. Chapter 7 Administrative Claims will include the yet to be filed claims of the Trustee, Trustee's Counsel, Trustee's Special Counsel and the Trustee's Accountant. The Trustee understands that his special counsel and accountant are prepared to file their respective fee applications within 30 days.

13. Chapter 11 Administrative Claims as Filed:

<u>Claim/Dkt No.</u>	<u>Claimant</u>	<u>Amount</u>	<u>Claimed Basis</u>
49/304	Nortek	\$263,850	Consent Order
63-6	TX Workforce	\$1,074.80	Unemployment taxes for 2018 under TX "Unemployt Comp Act"
86-1	TX Comptroller	\$34,569.28	Franchise Tax ESTIMATED 2018 Trustee reviewing and expects to resolve and/or object within 14 days

99-1	US Trustee	\$105,449.03	Quarterly Fees
87-1	NJ Div Taxation	\$60,600	Corp Bus Taxes ESTIMATED Sales & Use Taxes ESTIMATED Trustee Objection Prepared and To be filed January 17, 2023
Doc 537	BCBSRI	Unknown	May not have a claim. Investigation
69 Amended	NJ Div Employer Accounts	\$3,576.47	3/2017 – 2/2019 Employer Contributions (Amends 69-1) Cites NJ Statutes NJ Dept Workforce Dev. Trustee will review and act on claim within 30 days.
Doc 849	Salesforce.com	\$516,652.28	Alleged Contract claim for Services DEBTOR OBJECTED. Trustee will review and act on claim within 30 days.
Doc 875	Financialforce.com	\$74,478.42	Alleged Contract claim for Services DEBTOR OBJECTED. Trustee will review and act on claim within 30 days.
Doc 483	Monitronics Motion	\$169,254.60	Debtor and Cred Comm Objected Ch 7 Trustee is preparing to object and has a conference call scheduled with creditor's counsel for January 18, 2023
91-1	NY Dept Finance/Tax	\$3,105.57	Alleged Corp withhold and Sales <u>Filed late</u> , 8/17/2022 Trustee will review and act on claim within 30 days.

Ch 11 FEE APPLICATIONS

Doc 525	Shechtman, Halperin Savage Debtor's Counsel	\$199,737 AMENDED Exp 538.12 Application	Objection Filed By US Trustee (Doc 1129)
Doc 1096	Creditors Committee Counsel Steven Boyajian, Esq.	\$227,323.10 plus exp \$2,267.64	
Doc 1110	James Atchison Debtor's Counsel	\$95,675.00	OBJECTIONS FILED By the Trustee (Doc 1127) and by the US Trustee (Doc 1128)

Total Chapter 11 Fee Applications	\$525,540.86
Total Ch 11 Admins and Fee Applications	\$1,758,151.10

14. To the extent that any of the secured claims claim to be secured by the funds turned over to the Trustee upon conversion, i.e., the Debtor's asset sale proceeds, the Trustee believes that there are bases for objections to any such claims. The Trustee is preparing objections to such claims. As noted above, the final alleged secured claims to be resolved are claims 61 (Richardson School District) to which an objection has been filed, and claim 53 of Monitronics, to which an objection has been prepared and the trustee has a conference call scheduled for January 18, 2023 with counsel for Monitronics' successor in interest.

15. The Trustee's objection to claim 61 has been sustained (Doc 1138).

16. The Trustee conferred with counsel for Monitronics. The Trustee is completing his claim objection analysis and will be sending same to counsel for Monitronics with the intention of resolving its claims. The Trustee plans to complete that task upon his return on March 13, 2023 from a court excused absence.

17. The Trustee is still reviewing claims and filing claim objections. The Trustee continuing his review of previous orders of the Court regarding the approval of certain claims, the assignment of contracts and leases, stipulations, late filed claims and claim documentation.

18. The Trustee does not believe that any of the secured claims attach to the adversary proceeding settlement funds of \$250,000.

19. Trustee will provide an updated status report to parties in interest upon request and will file a formal updated report in thirty (30) days. There is currently a status hearing scheduled for April 19, 2023.

20. Since the October Status Report, 2022, the Trustee has reviewed three lengthy fee applications, filed an objection to one of those applications, conferenced with the US Trustee with respect to the fee applications, and filed one additional claim objection and prepared several others.

21. The Trustee continues to work on claims examination and objections and expects to file additional claim objections, including ~~alleged secured claims 53 (Monitronics) and 61 (Richardson Texas School District)~~ as well as certain Chapter 11 administrative claims.

22. On April 17, 2023, the Trustee filed an Objection to the claims of Monitronics (both its secured claim, POC no. 53 and to its Administrative Expense Claim).

23. The Trustee is willing to file updated status reports every 30 days and is not opposed to the Court requiring that he do so.

April 17, 2023

/s/Charles A. Pisaturo, Jr.
CHARLES A. PISATURO, JR. (REG. NO. 4615)
Trustee
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CERTIFICATE OF SERVICE

I hereby certify that on the 17th day of April, 2023, I electronically filed the foregoing STATUS REPORT. The following parties received notice electronically or by regular US Mail: Gary L. Donahue, Esq., Assistant U.S. Trustee, Sandra Nicholls, Esq., Thomas S. Hemmendinger, Esq., Lisa M. Kresge, Esq., Steven J. Boyajian, Esq., Christopher Lefebvre, Esq., James Atchison, Esq. Patricia Antonelli, and all other electronic filers in this case through the Court's ECF noticing system.

/s/ Charles Pisaturo
Law Offices of Charles A. Pisaturo, Jr.